

**SPRING CITY, UTAH  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED JUNE 30, 2006**

**SPRING CITY, UTAH**  
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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

November 13, 2006

Honorable Mayor  
Members of the City Council  
Spring City, Utah

### **Council Members:**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spring City, Utah (City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City at June 30, 2006, and the changes in financial position and cash flows, where applicable thereof, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 13, 2006 on my consideration of Spring City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Spring City's basic financial statements. The combining nonmajor fund statements described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Greg Ogden,  
Certified Public Accountant



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Spring City, we offer readers of Spring City's financial statements this narrative overview and analysis of the financial activities of Spring City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The total net assets of Spring City increased \$103,215 totaling \$5,453,965. The governmental net assets increased by \$93,894 and the business type net assets increased by \$9,321.
- The total net assets of the governmental and business-type activities are \$5,453,965. It is made up of \$4,587,516 in capital assets, net of related debt, \$406,205 restricted for capital projects and bond requirements. Finally, the remaining \$460,244 are unrestricted assets.
- The long-term debt or liabilities of Spring City decreased by \$78,759. The long term debt for government activities decreased by \$14,771 due to payments on the 1991 series road bond, and the final payment on the cemetery bond. The business type activities long term debt decreased \$63,988 due to various water and sewer revenue bond payments.

### REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Spring City's basic financial statements. Spring City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

*The government-wide financial statements* are designed to provide readers with a broad overview of Spring City's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Spring City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Springville City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Spring City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages of this report.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Spring City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds, and proprietary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The balance of the governmental funds are determined to be non-major and are included in the combining statements within this report.

- **Proprietary funds** - Spring City maintains one type of proprietary fund, an enterprise. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Spring City uses enterprise funds to account for its Electric Utility, Water Utility, and Sewer Utility. As determined by generally accepted accounting principles, the Electric, Water and Sewer enterprise funds meet the criteria for major fund classification.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Spring City, assets exceed liabilities by \$5,453,965.

By far the largest portion of Spring City's net assets (84.1%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**STATEMENT OF NET ASSETS (In thousands of dollars)**

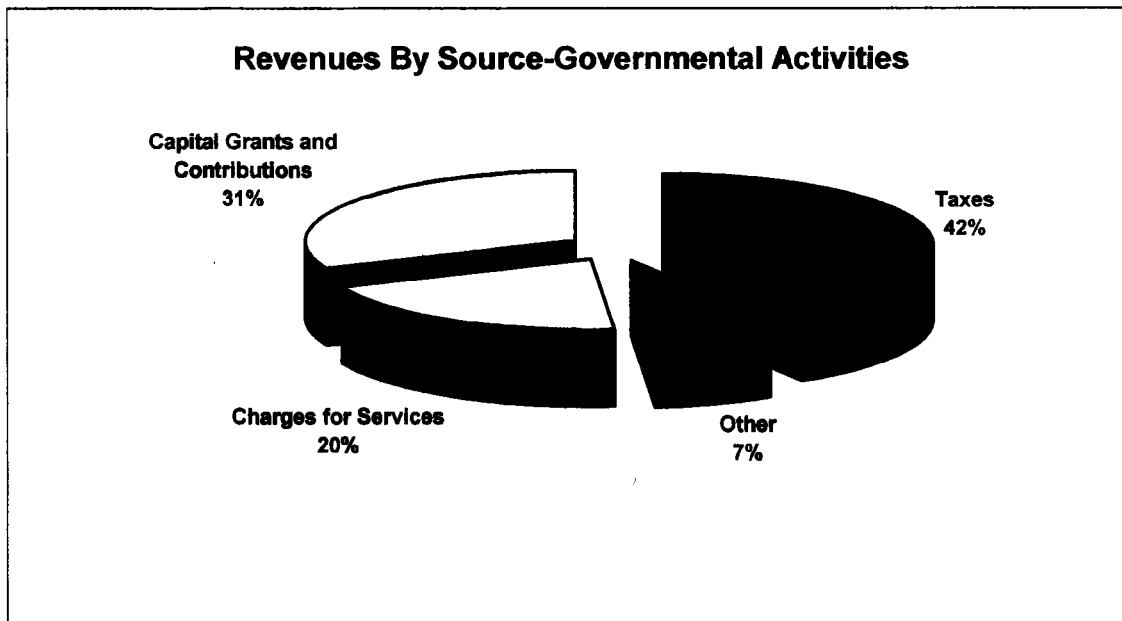
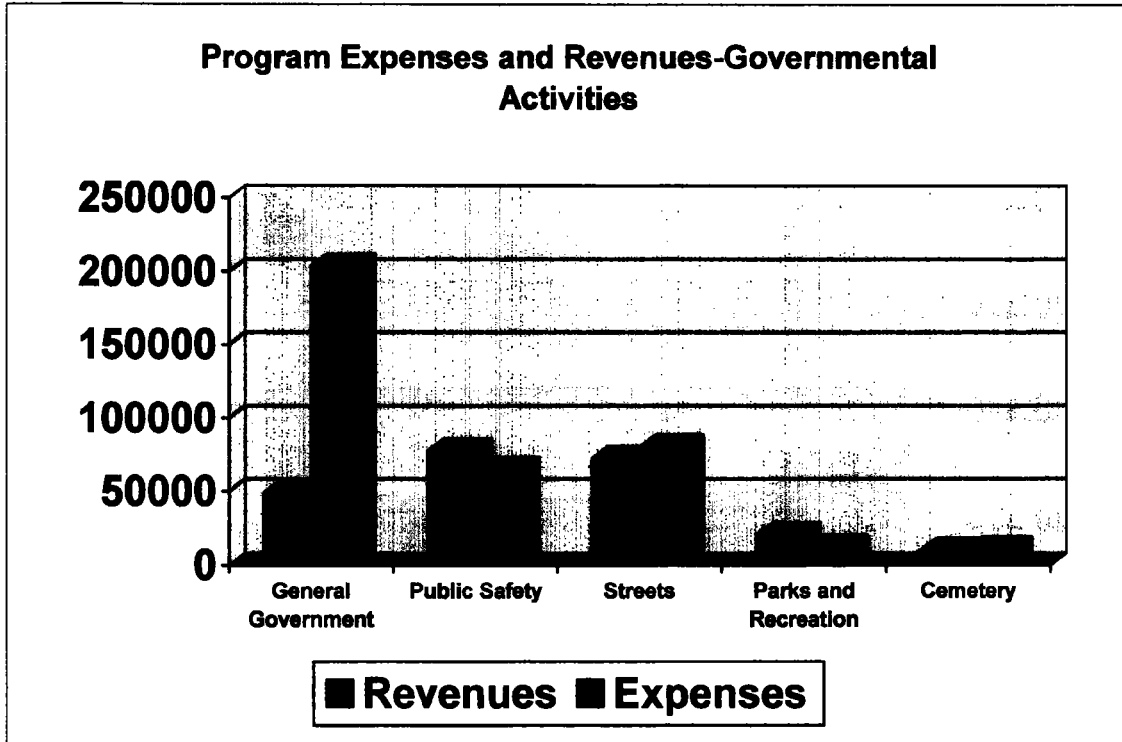
	Governmental Activities		Business-type Activities	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
Current Assets	205	398	346	338
Non Current Assets	<u>2,585</u>	<u>2,307</u>	<u>3,831</u>	<u>3,882</u>
Total Assets	<u>2,790</u>	<u>2,705</u>	<u>4,177</u>	<u>4,220</u>
Current Liabilities	39	35	51	39
Non Current Liabilities	<u>62</u>	<u>76</u>	<u>1,361</u>	<u>1,425</u>
Total Liabilities	<u>101</u>	<u>111</u>	<u>1,412</u>	<u>1,464</u>
Net Assets:				
Invested in Capital Assets	2,336	2,214	2,252	2,247
Net of Related Debt				
Restricted	187	15	219	211
Unrestricted	<u>166</u>	<u>365</u>	<u>294</u>	<u>298</u>
Total Net Assets	<u>2,689</u>	<u>2,594</u>	<u>2,765</u>	<u>2,756</u>



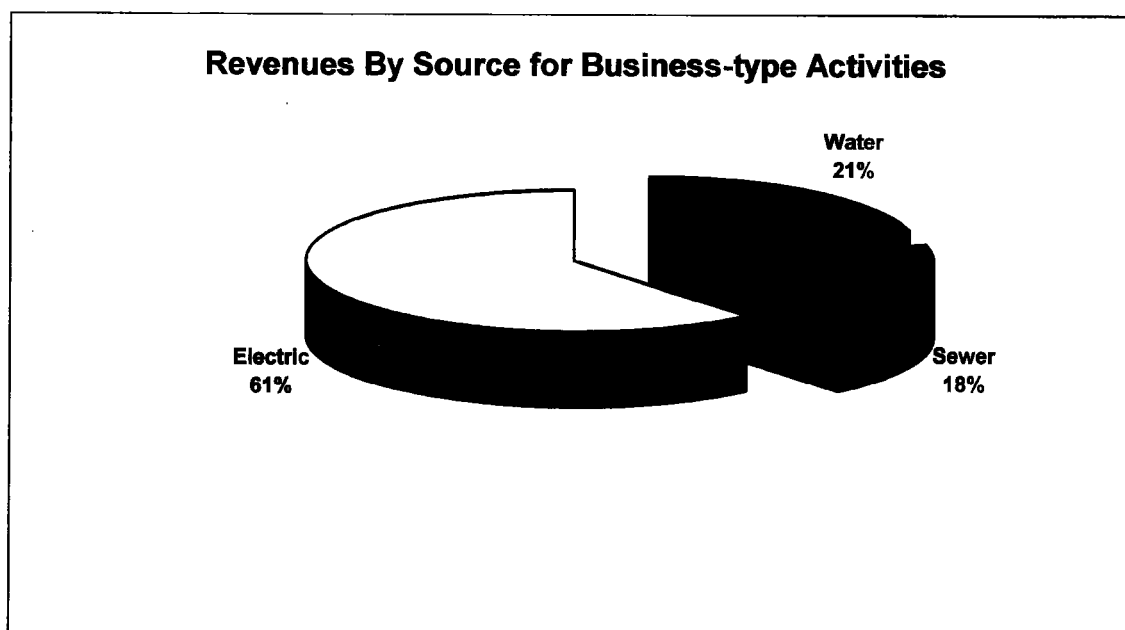
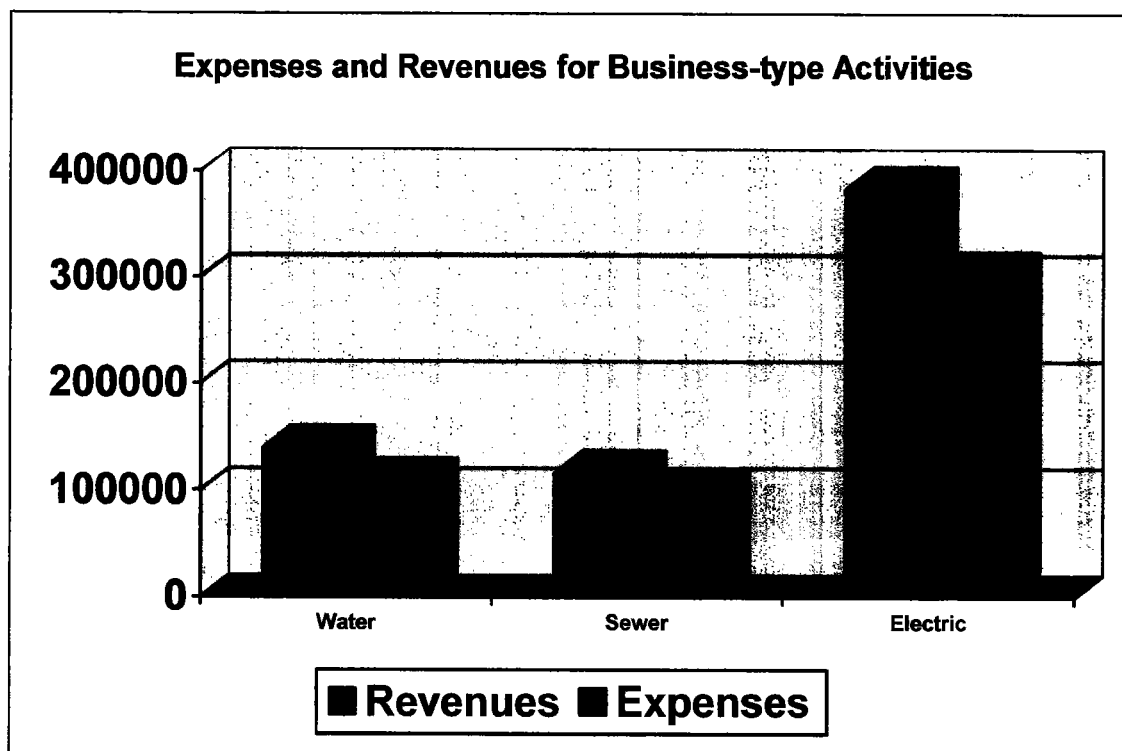
# CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2005-2006	2004-2005	2005-2006	2005-2005
<b>Revenues</b>				
Program Revenues				
Charges for Services	69,709	57,186	629,825	612,525
Operating Grants and Contributions	837	586	-	-
Capital Grants and Contributions	108,817	137,913	-	-
General Revenues				
Property Taxes	42,822	44,210	-	-
Sales and use Taxes	85,947	73,409	-	-
Other Taxes	15,103	11,203	-	-
Other Revenues	<u>24,551</u>	<u>13,827</u>	<u>9,078</u>	<u>4,469</u>
<b>Total Revenues</b>	<u>347,786</u>	<u>338,334</u>	<u>638,903</u>	<u>616,994</u>
<b>Expenses</b>				
General Government	203,225	175,431	-	-
Public Safety	64,510	62,055	-	-
Streets/Public Works	79,625	77,377	-	-
Parks and Recreation	11,896	7,820	-	-
Cemetery	10,582	22,006	-	-
Interest on Long-term	4,054	4,934	-	-
<b>Debt</b>				
Water	-	-	109,438	110,827
Sewer	-	-	97,203	101,370
Electric	<u>-</u>	<u>-</u>	<u>302,941</u>	<u>257,604</u>
<b>Total Expenses</b>	<u>373,892</u>	<u>349,623</u>	<u>509,582</u>	<u>469,801</u>
<b>Increase in Net Assets</b>				
Before Transfers	(26,106)	(11,289)	129,321	147,193
Transfers	<u>120,000</u>	<u>120,000</u>	<u>(120,000)</u>	<u>(120,000)</u>
<b>Change in Net Assets</b>	<u>93,894</u>	<u>108,711</u>	<u>9,321</u>	<u>27,193</u>
<b>Net Assets Beginning 7/01/05</b>	<u>2,594,824</u>	<u>2,486,113</u>	<u>2,755,926</u>	<u>2,728,733</u>
<b>Net Assets Ending 6/30/06</b>	<u>2,688,718</u>	<u>2,594,824</u>	<u>2,765,247</u>	<u>2,755,926</u>

The following graphs display the government-wide activities for governmental activities reflected in the above tables. Program revenues included in the first graph are fees charged for specific services performed by the various governmental functions. General Revenues such as property taxes, sales and use taxes, etc, are not included.



As can be seen from the following charts, the majority of revenues in the business-type activities are in charges for services with the electric fund providing 61% down from the last year by 2%, the sewer fund providing 18% up from the last year by 1%, and the water fund providing 21%, up from last year by 1% of the business-type revenues. Expenses for each fund reflects direct operating costs.



## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2006, the City's governmental funds reported combined fund equity of \$309,426. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund. The other source of revenue in the General Fund includes unrestricted investment earnings, miscellaneous earnings, and operating transfers from the water, sewer and electric departments.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the 2005-2006 fiscal year, the general fund budgeted expenditures were increased from the original budget total by \$32,542. The budgeted revenues were increased from the original budgeted by \$19,622. Amendments to the original 2005-2006 fiscal budget were due to costs accrued by the city in the capital projects fund and some revenues and expenditures during the year that were higher than anticipated.

## CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Spring City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$6,009,879 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, etc.), and machinery and equipment. The net increase in the City's investment in fixed assets for the current year was \$46,030.

Major capital asset events during the current fiscal year included the following:

• New Computers	\$ 8,206
• New City Banners	\$ 1,603
• City Bleacher Repair	\$ 294
• Fire Department Upgrades	\$ 1,300
• Police Department Equipment	\$ 2,706
• Mower Blades/Right of Way	\$ 276
• Mower Equipment	\$ 1,250
• Road Salter	\$ 3,700
• Signage	\$ 1,897
• Chip & Seal	\$55,041
• Sidewalk Replacement	\$ 2,968
• Building Lighting	\$ 1,665
• Cemetery Expansion	\$22,457
• Mainstreet Lighting	\$42,505
• Water Tank Leveling	\$ 9,774
• Water System Upgrades	\$ 7,998
• Sewer System Upgrades	\$10,281
• 7200 Volt Upgrades	\$49,105
• Electric Line Improvements	\$12,147
• Electric System Equipment	\$ 1,412
• Old School Improvements	\$27,289
• Asphalt City Building	\$ 9,027

**SPRING CITY'S CAPITAL ASSETS**  
(Net of Depreciation)

	Governmental Activities		Business-type Activities	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
Capital Assets Not Being Depreciated				
Land	1,180,800	1,180,800	7,110	7,110
Capital Assets Being Depreciated				
Buildings	352,598	324,213	-	-
Improvements and Infrastructure	1,818,838	1,678,654	5,414,626	5,325,319
Machinery & Equipment	<u>68,498</u>	<u>49,439</u>	<u>269,987</u>	<u>268,575</u>
Total	3,420,734	3,233,106	5,691,723	5,601,004
Less Accumulated Depreciation	<u>(1,022,219)</u>	<u>(940,464)</u>	<u>(2,080,359)</u>	<u>(1,929,797)</u>
Total Capital Assets	<u>2,398,515</u>	<u>2,292,642</u>	<u>3,611,364</u>	<u>3,671,207</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report and the supplemental section.

Long-term debt - At June 30, 2006, the City had total bonded debt outstanding of \$1,420,655. Of this amount \$61,017 is considered to be general obligation debt and is backed by the full faith and credit of the City. These general obligation bonds were issued specifically for Class C Roads. \$1,359,638 is debt secured solely by specific revenue sources. The remaining balance of the long-term debt comes from compensated absences that total \$2,218.

**SPRING CITY'S OUTSTANDING DEBT**

	Governmental Activities		Business-type Activities	
	<u>2005-2006</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>2004-2005</u>
General Obligation Bonds	61,017	72,157	-	-
Cemetery Loan	-	3,631	-	-
Revenue Bonds	<u>-</u>	<u>-</u>	<u>1,359,638</u>	<u>1,423,613</u>
Totals	<u>61,017</u>	<u>75,788</u>	<u>1,359,638</u>	<u>1,423,613</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The City is significantly under this percentage and only has \$61,017 of outstanding general obligation debt.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The unemployment rate for Sanpete County (of which Spring City is part of) was 2.3 % compared with a state unemployment rate of 2.5% and a national rate of 4.4%. (Source: Utah Dept of Workforce Services)
- The major projects budget for next year include new lighting along mainstreet, building and land improvements, sidewalk improvements, a capital facilities plan, power system upgrades, water system upgrades, and park and ground improvements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Spring City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Budget Officer  
Spring City  
150 East Center  
P.O. Box 189  
Spring City, Utah 84662.

## **BASIC FINANCIAL STATEMENTS**



**SPRING CITY, UTAH**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 144,111	\$ 302,717	\$ 446,828
Accounts Receivable	60,326	43,479	103,805
Other Assets	288	-	288
<b>TOTAL CURRENT ASSETS</b>	<b>204,725</b>	<b>346,196</b>	<b>550,921</b>
<b>NONCURRENT ASSETS</b>			
<b>Restricted Assets</b>			
Cash and Cash Equivalents	186,555	219,650	406,205
<b>Capital Assets</b>			
Non Depreciable	1,180,800	7,110	1,187,910
Depreciable Assets (net of Depreciation)	1,217,715	3,604,254	4,821,969
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,585,070</b>	<b>3,831,014</b>	<b>6,416,084</b>
<b>TOTAL ASSETS</b>	<b>2,789,795</b>	<b>4,177,210</b>	<b>6,967,005</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	39,396	50,771	90,167
<b>TOTAL CURRENT LIABILITIES</b>	<b>39,396</b>	<b>50,771</b>	<b>90,167</b>
<b>NONCURRENT LIABILITIES</b>			
Due Within One Year	12,466	69,624	82,090
Due in more than One Year	49,215	1,291,568	1,340,783
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>61,681</b>	<b>1,361,192</b>	<b>1,422,873</b>
<b>TOTAL LIABILITIES</b>	<b>101,077</b>	<b>1,411,963</b>	<b>1,513,040</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	2,335,790	2,251,726	4,587,516
<b>Restricted for</b>			
Capital Projects	171,336	-	171,336
Debt Service	15,219	219,650	234,869
Unrestricted	166,373	293,871	460,244
<b>TOTAL NET ASSETS</b>	<b>\$ 2,688,718</b>	<b>\$ 2,765,247</b>	<b>\$ 5,453,965</b>

See the accompanying notes to the financial statements

**SPRING CITY, UTAH**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b><u>FUNCTIONS/PROGRAMS</u></b>				
<b>Governmental Activities</b>				
General Government	\$ 203,225	\$ 29,199	\$ -	\$ 19,868
Public Safety	64,510	27,275	837	-
Streets	79,625	-	-	72,056
Parks and Recreation	11,896	3,555	-	16,893
Cemetery	10,582	9,680	-	-
Interest on Long-Term Debt	4,054	-	-	-
Total Governmental Activities	373,892	69,709	837	108,817
<b>Business-type Activities</b>				
Water	109,438	135,260	-	-
Sewer	97,203	111,278	-	-
Electric	302,941	383,287	-	-
Total Business-type Activities	509,582	629,825	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 883,474</b>	<b>\$ 699,534</b>	<b>\$ 837</b>	<b>\$ 108,817</b>

General Revenues  
Property Taxes  
Vehicle Taxes  
Sales Taxes  
Franchise Taxes  
Unrestricted Investment Earnings  
Miscellaneous  
Transfers  
Total General Revenues and Transfers  
Change in Net Assets  
Net Assets - Beginning  
Net Assets - Ending

See the accompanying notes to the financial statements

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**Net (Expense) Revenue and Changes in Net Assets**

**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (154,158)	-	\$ (154,158)
(36,398)	-	(36,398)
(7,569)	-	(7,569)
8,552	-	8,552
(902)	-	(902)
(4,054)	-	(4,054)
<u>(194,529)</u>	<u>-</u>	<u>(194,529)</u>
-	25,822	25,822
-	14,075	14,075
-	80,346	80,346
<u>-</u>	<u>120,243</u>	<u>120,243</u>
<u>(194,529)</u>	<u>120,243</u>	<u>(74,286)</u>
42,822	-	42,822
13,529	-	13,529
85,947	-	85,947
1,574	-	1,574
22,585	9,078	31,663
1,966	-	1,966
120,000	(120,000)	-
<u>288,423</u>	<u>(110,922)</u>	<u>177,501</u>
93,894	9,321	103,215
<u>2,594,824</u>	<u>2,755,926</u>	<u>5,350,750</u>
<u>\$ 2,688,718</u>	<u>\$ 2,765,247</u>	<u>\$ 5,453,965</u>

# SPRING CITY, UTAH

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2006

	Governmental-type Activities			
	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 11,795	\$ -	\$ 132,316	\$ 144,111
Restricted Cash	15,219	171,336	-	186,555
Accounts Receivable	1,467	-	-	1,467
Taxes Receivable	43,502	-	-	43,502
Class C Road Receivable	15,357	-	-	15,357
Other Assets	288	-	-	288
 TOTAL ASSETS	 \$ 87,628	 \$ 171,336	 \$ 132,316	 \$ 391,280
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 31,265	\$ 5,220	\$ 1,203	\$ 37,688
Deferred Revenue	43,502	-	-	43,502
Compensated Absences	664	-	-	664
 TOTAL LIABILITIES	 75,431	 5,220	 1,203	 81,854
 <b>FUND BALANCE</b>				
Designated				
Cemetery Endowments	-	-	127,875	127,875
Construction	-	166,116	3,238	169,354
Reserved				
Debt Service	15,219	-	-	15,219
Unreserved	(3,022)	-	-	(3,022)
 TOTAL FUND EQUITY	 12,197	 166,116	 131,113	 309,426
TOTAL LIABILITIES AND FUND EQUITY	\$ 87,628	\$ 171,336	\$ 132,316	\$ 391,280

See the accompanying notes to the financial statements

# SPRING CITY, UTAH

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2006

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$	309,426
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*Amounts reported for governmental activities in the statement of net assets are different because*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds		2,398,515
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		43,502
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		<u>(62,725)</u>
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TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>2,688,718</u>
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See the accompanying notes to the financial statements

# SPRING CITY, UTAH

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Governmental-type Activities			Total Governmental Funds
	General	Capital Projects	Nonmajor Governmental Funds	
<b>REVENUES</b>				
Taxes	\$ 143,043	\$ -	\$ -	\$ 143,043
Licenses and Permits	4,452	-	-	4,452
Intergovernmental	78,867	-	16,892	95,759
Charges for Services	45,169	-	9,680	54,849
Fines and Forfeitures	10,408	-	-	10,408
Interest	10,348	7,293	4,944	22,585
Miscellaneous	1,966	-	-	1,966
<b>TOTAL REVENUES</b>	<b>294,253</b>	<b>7,293</b>	<b>31,516</b>	<b>333,062</b>
<b>EXPENDITURES</b>				
General Government	189,036	4,429	-	193,465
Public Safety	64,817	-	-	64,817
Streets	83,523	-	-	83,523
Parks and Recreation	11,896	-	-	11,896
Cemetery	-	-	10,327	10,327
Capital Outlay	-	83,841	14,043	97,884
Debt Service				
Principal	-	-	14,675	14,675
Interest and Fiscal Charges	-	-	4,369	4,369
<b>TOTAL EXPENDITURES</b>	<b>349,272</b>	<b>88,270</b>	<b>43,414</b>	<b>480,956</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(55,019)</b>	<b>(80,977)</b>	<b>(11,898)</b>	<b>(147,894)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	120,000	245,000	22,211	387,211
Transfers Out	(267,211)	-	-	(267,211)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(147,211)</b>	<b>245,000</b>	<b>22,211</b>	<b>120,000</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(202,230)</b>	<b>164,023</b>	<b>10,313</b>	<b>(27,894)</b>
<b>BEGINNING FUND BALANCE</b>	<b>214,427</b>	<b>2,093</b>	<b>120,800</b>	<b>337,320</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 12,197</b>	<b>\$ 166,116</b>	<b>\$ 131,113</b>	<b>\$ 309,426</b>

See the accompanying notes to the financial statements

## SPRING CITY, UTAH

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

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EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS	\$ (27,894)
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*Amounts reported for governmental activities in the statement of activities  
are different because*

Property taxes will not be collected for several months after the City's fiscal year end. They are not considered to be available revenues in the governmental funds. Deferred property tax revenues decreased by this amount this year.	829
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Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	105,873
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Issuance of long-term debt provides current financial resources to governmetal funds. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net difference in the treatment of long-term debt and related items.	14,771
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Some revenues and expenses reported in the statement of activities do not add to or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.	<u>315</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS	<u>\$ 93,894</u>
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See the accompanying notes to the financial statements

**SPRING CITY, UTAH**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Taxes	\$ 132,040	\$ 137,661	\$ 143,043	\$ 5,382
Licenses and Permits	4,290	3,769	4,452	683
Intergovernmental	65,500	64,704	78,867	14,163
Charges for Services	37,442	43,528	45,169	1,641
Fines and Forfeitures	7,000	9,277	10,408	1,131
Interest	4,200	10,345	10,348	3
Miscellaneous	500	1,310	1,966	656
<b>TOTAL REVENUES</b>	<b>250,972</b>	<b>270,594</b>	<b>294,253</b>	<b>23,659</b>
<b><u>EXPENDITURES</u></b>				
General Government	191,518	197,175	189,036	8,139
Public Safety	66,356	69,811	64,817	4,994
Streets	64,467	88,230	83,523	4,707
Parks and Recreation	13,500	13,167	11,896	1,271
<b>TOTAL EXPENDITURES</b>	<b>335,841</b>	<b>368,383</b>	<b>349,272</b>	<b>19,111</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(84,869)</b>	<b>(97,789)</b>	<b>(55,019)</b>	<b>42,770</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	120,000	120,000	120,000	-
Transfers Out	(35,131)	(22,211)	(267,211)	(245,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>84,869</b>	<b>97,789</b>	<b>(147,211)</b>	<b>(245,000)</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>-</b>	<b>-</b>	<b>(202,230)</b>	<b>(202,230)</b>
<b>FUND BALANCE ALLOCATION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (202,230)</b>	<b>\$ (202,230)</b>

See the accompanying notes to the financial statements



**SPRING CITY, UTAH**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2006**

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric	Total Enterprise Funds
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 73,804	\$ -	\$ 228,913	302,717
Accounts Receivable	10,293	5,827	27,359	43,479
Due from Other Fund	-	-	6,671	6,671
<b>TOTAL CURRENT ASSETS</b>	<b>84,097</b>	<b>5,827</b>	<b>262,943</b>	<b>352,867</b>
<b>NONCURRENT ASSETS</b>				
<b>Restricted Assets</b>				
Cash and Cash Equivalents	110,081	109,569	-	219,650
<b>Capital Assets</b>				
Land	7,110	-	-	7,110
Improvements	2,487,162	2,431,708	495,756	5,414,626
Machinery and Equipment	138,308	16,261	115,418	269,987
Less Accumulated Depreciation	(894,793)	(857,782)	(327,784)	(2,080,359)
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,847,868</b>	<b>1,699,756</b>	<b>283,390</b>	<b>3,831,014</b>
<b>TOTAL ASSETS</b>	<b>1,931,965</b>	<b>1,705,583</b>	<b>546,333</b>	<b>4,183,881</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	2,385	905	18,606	21,896
Customer Deposits	-	-	28,875	28,875
Due to Other Fund	-	6,671	-	6,671
Compensated Absences	-	-	1,554	1,554
Current Portion of Long-Term Debt	47,615	20,455	-	68,070
<b>TOTAL CURRENT LIABILITIES</b>	<b>50,000</b>	<b>28,031</b>	<b>49,035</b>	<b>127,066</b>
<b>NONCURRENT LIABILITIES</b>				
Bonds Payable	991,877	299,691	-	1,291,568
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>991,877</b>	<b>299,691</b>	<b>-</b>	<b>1,291,568</b>
<b>TOTAL LIABILITIES</b>	<b>1,041,877</b>	<b>327,722</b>	<b>49,035</b>	<b>1,418,634</b>
<b>NET ASSETS</b>				
Investment in Capital Assets, Net of Related Debt	698,295	1,270,041	283,390	2,251,726
<b>Restricted</b>				
Bond Requirements	110,081	109,569	-	219,650
Unrestricted	81,712	(1,749)	213,908	293,871
<b>TOTAL NET ASSETS</b>	<b>\$ 890,088</b>	<b>\$ 1,377,861</b>	<b>\$ 497,298</b>	<b>\$ 2,765,247</b>

See the accompanying notes to the financial statements

**SPRING CITY, UTAH**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Electric</b>	<b>Total Enterprise Funds</b>
<b><u>OPERATING REVENUES</u></b>				
Charges for Services	\$ 116,171	\$ 89,497	\$ 341,096	\$ 546,764
Connection Fees	17,800	11,400	15,400	44,600
Miscellaneous	1,289	10,381	26,791	38,461
<b>TOTAL OPERATING REVENUES</b>	<b>135,260</b>	<b>111,278</b>	<b>383,287</b>	<b>629,825</b>
<b><u>OPERATING EXPENSES</u></b>				
Salaries and Benefits	18,085	19,721	257,921	295,727
Production and Maintenance	3,913	3,901	28,927	36,741
Depreciation	73,160	61,308	16,093	150,561
<b>TOTAL OPERATING EXPENSES</b>	<b>95,158</b>	<b>84,930</b>	<b>302,941</b>	<b>483,029</b>
<b>OPERATING INCOME</b>	<b>40,102</b>	<b>26,348</b>	<b>80,346</b>	<b>146,796</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Interest Income	4,092	4,986	-	9,078
Interest Expense	(14,280)	(12,273)	-	(26,553)
Transfer to Other Fund	(14,000)	(34,000)	(72,000)	(120,000)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(24,188)</b>	<b>(41,287)</b>	<b>(72,000)</b>	<b>(137,475)</b>
<b>CHANGE IN NET ASSETS</b>	<b>15,914</b>	<b>(14,939)</b>	<b>8,346</b>	<b>9,321</b>
<b>TOTAL NET ASSETS AT BEGINNING OF YEAR</b>	<b>874,174</b>	<b>1,392,800</b>	<b>488,952</b>	<b>2,755,926</b>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<b>\$ 890,088</b>	<b>\$ 1,377,861</b>	<b>\$ 497,298</b>	<b>\$ 2,765,247</b>

See the accompanying notes to the financial statements

**SPRING CITY, UTAH**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric	Total Enterprise Funds
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from Customers	\$ 136,690	\$ 113,439	\$ 393,752	\$ 643,881
Payments to Suppliers	(1,528)	(2,996)	(20,353)	(24,877)
Payments to Employees	(18,085)	(19,721)	(257,934)	(295,740)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>117,077</b>	<b>90,722</b>	<b>115,465</b>	<b>323,264</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Due to Other Funds	-	-	14,332	14,332
Due from Other Funds	-	(14,332)	-	(14,332)
Transfers Out	(14,000)	(34,000)	(72,000)	(120,000)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(14,000)</b>	<b>(48,332)</b>	<b>(57,668)</b>	<b>(120,000)</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Acquisition of Capital Assets	(17,772)	(10,280)	(62,664)	(90,716)
Bond and Note Principal Payments	(43,682)	(20,295)	-	(63,977)
Interest Expense	(14,439)	(12,273)	-	(26,712)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(75,893)</b>	<b>(42,848)</b>	<b>(62,664)</b>	<b>(181,405)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest Income	4,092	4,986	-	9,078
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>4,092</b>	<b>4,986</b>	<b>-</b>	<b>9,078</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>31,276</b>	<b>4,528</b>	<b>(4,867)</b>	<b>30,937</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>152,609</b>	<b>105,041</b>	<b>233,780</b>	<b>491,430</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 183,885</b>	<b>\$ 109,569</b>	<b>\$ 228,913</b>	<b>\$ 522,367</b>

See the accompanying notes to the financial statements

# SPRING CITY, UTAH

## STATEMENT OF CASH FLOWS (CONTINUED)

### PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Electric	
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Operating Income	\$ 40,102	\$ 26,348	\$ 80,346	\$ 146,796
Adjustments				
Depreciation	73,160	61,308	16,093	150,561
Changes in Assets and Liabilities				
Accounts Receivable	1,430	2,161	10,465	14,056
Accounts Payable	2,385	905	13,499	16,789
Customer Deposits	-	-	(4,925)	(4,925)
Compensated Absences	-	-	(13)	(13)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 117,077</u></b>	<b><u>\$ 90,722</u></b>	<b><u>\$ 115,465</u></b>	<b><u>\$ 323,264</u></b>

See the accompanying notes to the financial statements

# **SPRING CITY, UTAH**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **JUNE 30, 2006**

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Spring City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

##### **Financial Reporting Entity**

Spring City is incorporated under the laws of the State of Utah. The City is a municipal corporation governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

General Government: Mayor and City Council, Justice Court, Treasurer and Recorder

Public Safety: Police, Fire and Animal Control Services

Public Works: Sanitation, Streets, Water, Sewer and Electric

Parks and Recreation

Cemetery

##### **Government-wide and Fund Financial Statements**

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## NOTE 1 - (CONTINUED)

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *capital projects fund* accounts for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.

The *sewer fund* accounts for the activities of the City's sewer treatment operations.

The *electric fund* accounts for the activities of the City's electric distribution operations.

Activities of these three funds include administration, operations and maintenance of the systems, and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all proprietary fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

## NOTE 1 - (CONTINUED)

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### Assets, Liabilities and Fund Equity

#### A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

#### B. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances".

#### C. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

#### D. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

## NOTE 1 - (CONTINUED)

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and Structures	20-50 years
Improvements and Infrastructure	7-40 years
Machinery and Equipment	5-15 years

### E. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. No more than 5 days of vacation may be carried forward. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of one day per month. However, no accumulated, unused sick leave will be paid at termination.

### F. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### G. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

### H. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.



## **NOTE 1 - (CONTINUED)**

### **Inter-Fund Transactions**

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. . These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

### **Deferred Revenue**

Property taxes due November 30, 2006 and unpaid from 2005 are shown as deferred revenue.

### **Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

## **NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

#### **Capital Asset Differences**

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 1,180,800
Buildings	352,598
Improvements and Infrastructure	1,818,838
Machinery and Equipment	68,498
Less Accumulated Depreciation	(1,022,219)
Net Capital Asset Difference	<u>\$ 2,398,515</u>

## NOTE 2 - (CONTINUED)

### Other Long-Term Asset Differences

Property taxes due in November 2006 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2006	\$ <u>43,502</u>
---------------------------------------------	------------------

### Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Accrued Interest Payable	\$ (1,708)
Revenue Bonds Payable	<u>(61,017)</u>
Total Long-Term Liability Difference	\$ <u>(62,725)</u>

### Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

### Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Contributed Capital	\$ 13,895
Capital Outlay	173,733
Depreciation Expense	<u>(81,755)</u>
Net Difference	\$ <u>105,873</u>

### Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Principal Repayments of Revenue Bonds	\$ <u>14,771</u>
---------------------------------------	------------------

## NOTE 2 - (CONTINUED)

### Other Revenue and Expense Differences

The changes in long-term compensated absences and in accrued interest payable are not reported in the statement of revenues, expenditures and changes in fund balance. Both changes are reported in the statement of activities. The details of these differences are reported below:

Change in Accrued Interest Payable	\$ <u>315</u>
------------------------------------	---------------

## NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

### Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1<sup>st</sup> and are delinquent after November 30<sup>th</sup> of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

### NOTE 3 - (CONTINUED)

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30<sup>th</sup> and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30<sup>th</sup>.

### NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

Deposits and investments for City government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of the City's exposure to various risks related to its cash management activities.

#### Custodial Credit Risk

**Deposits.** Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$164,092 of the City's bank balances of \$264,092 were uninsured and uncollateralized.

#### Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

#### NOTE 4 - (CONTINUED)

The City government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

The following are the City's investments at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ 588,481	\$ 588,481	\$ -	\$ -	\$ -
Wells Fargo Money Market Fund	<u>214,557</u>	<u>214,557</u>	-	-	-
Total Investments	<u>\$ 803,038</u>	<u>\$ 803,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 49,534
Investments	803,038
Cash on Hand	<u>461</u>
Total	<u>\$ 853,033</u>
Cash and Cash Equivalents	\$ 446,828
Restricted Cash and Cash Equivalents	<u>406,205</u>
Total	<u>\$ 853,033</u>

## NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2006 are presented in the schedule below.

Property taxes are levied on January 1 of 2006, are due in November of 2006, and are budgeted for the 2006 fiscal year. Even though they are not intended to fund the 2006 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the City.

The following is a summary of receivables at June 30, 2006:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 1,467	\$ 43,479	\$ 44,946
Class C Road Receivable	15,357	-	15,357
Property Taxes Receivable	<u>43,502</u>	<u>-</u>	<u>43,502</u>
Total	<u>\$ 60,326</u>	<u>\$ 43,479</u>	<u>\$ 103,805</u>

## NOTE 6 - CAPITAL ASSETS

Several prior period adjustments to capital assets were required due to the implementation of GASB Statement No. 34. Those adjustments are reflected in the prior period adjustment columns of the schedules below.

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2006.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 1,180,800	\$ -	\$ -	\$ 1,180,800
Capital Assets being Depreciated				
Buildings	324,213	28,385	-	352,598
Improvements and Infrastructure	1,678,654	140,184	-	1,818,838
Machinery and Equipment	<u>49,439</u>	<u>19,059</u>	<u>-</u>	<u>68,498</u>
Total	3,233,106	187,628	-	3,420,734
Less Accumulated Depreciation	<u>(940,464)</u>	<u>(81,755)</u>	<u>-</u>	<u>(1,022,219)</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,292,642</u>	<u>\$ 105,873</u>	<u>\$ -</u>	<u>\$ 2,398,515</u>

## NOTE 6 - (CONTINUED)

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2006.

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 7,110	\$ -	\$ -	\$ 7,110
Capital Assets being Depreciated				
Improvements and Infrastructure	5,325,319	89,307	-	5,414,626
Machinery and Equipment	<u>268,575</u>	<u>1,412</u>	<u>-</u>	<u>269,987</u>
Total	5,601,004	90,719	-	5,691,723
Less Accumulated Depreciation	<u>(1,929,797)</u>	<u>(150,562)</u>	<u>-</u>	<u>(2,080,359)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 3,671,207</u>	<u>\$ (59,843)</u>	<u>\$ -</u>	<u>\$ 3,611,364</u>

Depreciation was charged to the functions/programs of the primary government as follows:

Governmental Activities	
General Government	\$ 19,715
Public Safety	3,699
Streets	57,990
Cemetery	<u>351</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 81,755</u>
Business-type Activities	
Water	\$ 73,160
Sewer	61,308
Electric	<u>16,093</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 150,561</u>

## NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts Payable	\$ 37,688	\$ 21,896
Accrued Interest Payable	1,708	-
Customer Deposits	<u>-</u>	<u>28,875</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 39,396</u>	<u>\$ 50,771</u>

## NOTE 8 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds					
1991 Series Road Bonds	\$ 72,157	\$ -	\$ 11,140	\$ 61,017	\$ 11,802
Cemetery Loan	3,631	-	3,631	-	-
Compensated Absences	-	664	-	664	664
	<u>\$ 75,788</u>	<u>\$ 664</u>	<u>\$ 14,771</u>	<u>\$ 61,681</u>	<u>\$ 12,466</u>
<b>Business-type Activities</b>					
Revenue Bonds					
1984 Water	\$ 12,859	\$ -	\$ 12,859	\$ -	\$ -
1995 Water	2,578	-	2,578	-	-
1998 Water	757,000	-	23,000	734,000	43,000
1998 Water	310,736	-	5,244	305,492	4,615
1990A Sewer	90,000	-	15,000	75,000	15,000
1990B Sewer	250,440	-	5,294	245,146	5,455
Compensated Absences	1,567	-	13	1,554	1,554
	<u>\$ 1,425,180</u>	<u>\$ -</u>	<u>\$ 63,988</u>	<u>\$ 1,361,192</u>	<u>\$ 69,624</u>

Long-term debt and obligations payable at June 30, 2006 were as follows:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<b>Governmental Activities</b>				
Bonds Payable				
General Obligation Road Bonds, Series 1991 (original amount-- \$180,000)	Variable	2011	\$ 11,802	\$ 49,215
Compensated Absences			664	-
Total Governmental Activities Long-Term Debt			<u>\$ 12,466</u>	<u>\$ 49,215</u>



# NOTE 8 - (CONTINUED)

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<b><u>Business-type Activities</u></b>				
<b>Bonds Payable</b>				
Water Revenue Bonds, Series 1998 (original amount--\$824,000)	0.00%	2020	\$ 43,000	\$ 691,000
Water Revenue Bonds, Series 1998 (original amount--\$344,000)	4.50%	2038	4,615	300,877
Sewer Revenue Bonds, Series 1990A (original amount--\$286,500)	0.00%	2011	15,000	60,000
Sewer Revenue Bonds, Series 1990B (original amount--\$300,500)	5.00%	2030	5,455	239,691
Compensated Absences			<u>1,554</u>	<u>-</u>
Total Business-type Activities Long-term Debt			<u>\$ 69,624</u>	<u>\$ 1,291,568</u>

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-Wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 11,802	\$ 3,417	\$ 68,069	\$ 26,243	\$ 79,871	\$ 29,660
2008	12,466	2,753	69,560	25,752	82,026	28,505
2009	13,167	2,052	71,076	25,237	84,243	27,289
2010	13,908	1,311	72,615	24,696	86,523	26,007
2011	9,674	411	74,183	24,130	83,857	24,541
2012-2016	-	-	337,432	111,128	337,432	111,128
2017-2021	-	-	331,391	92,170	331,391	92,170
2022-2026	-	-	113,469	68,091	113,469	68,091
2027-2031	-	-	124,664	38,184	124,664	38,184
2032-2036	-	-	77,746	15,974	77,746	15,974
2037-2038	-	-	<u>19,433</u>	<u>1,071</u>	<u>19,433</u>	<u>1,071</u>
	<u>\$ 61,017</u>	<u>\$ 9,944</u>	<u>\$ 1,359,638</u>	<u>\$ 452,676</u>	<u>\$ 1,420,655</u>	<u>\$ 462,620</u>

# NOTE 9 - RESERVED FUND EQUITY

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of City streets and roads. The City's bond covenants require certain reservations of retained earnings in the water and sewer funds. In addition, funds have been designated for various capital projects.

## NOTE 10 - RETIREMENT PLANS

### Plan Description

Spring City contributes to the Local Governmental Contributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

### Funding Policy

Plan members in the Local Governmental Contributory Retirement System are required to contribute 6.0% of their annual salary (all or part may be paid by the employer for the employee) and Spring City is required to contribute 7.08% of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Spring City's contributions to the Contributory Retirement System for June 30, 2006, 2005 and 2004 were \$8,526, \$8,872 and \$7,016 respectively. The contributions were equal to the required contributions for each year.

## NOTE 11 - RISK MANAGEMENT

Spring City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City handles these risks of loss through the purchase of commercial insurance through the Utah Local Governments Trust and through The Leavitt Group. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## NOTE 12 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ 120,000	\$ 267,211
Debt Service	15,219	-
Capital Projects	245,000	-
Water	-	14,000
Sewer	-	34,000
Electric	-	72,000
Cemetery	6,992	-
	<u>\$ 387,211</u>	<u>\$ 387,211</u>

**SUPPLEMENTARY INFORMATION**

**SPRING CITY, UTAH**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	Capital Project Fund			Total Nonmajor Governmental Funds
	Debt Service Fund	Old School Restoration	Permanent Fund	
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 3,238	\$ 129,078	\$ 132,316
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 3,238</b>	<b>\$ 129,078</b>	<b>\$ 132,316</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ 1,203	\$ 1,203
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>1,203</b>	<b>1,203</b>
<b>FUND BALANCE</b>				
Designated				
Cemetery Endowments	-	-	127,875	127,875
Construction	-	3,238	-	3,238
<b>TOTAL FUND EQUITY</b>	<b>-</b>	<b>3,238</b>	<b>127,875</b>	<b>131,113</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ -</b>	<b>\$ 3,238</b>	<b>\$ 129,078</b>	<b>\$ 132,316</b>

# SPRING CITY, UTAH

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

		Capital Project Fund		
	Debt Service Fund	Old School Restoration	Permanent Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 16,892	\$ -	\$ 16,892
Charges for Services	-	-	9,680	9,680
Interest	-	513	4,431	4,944
<b>TOTAL REVENUES</b>	-	17,405	14,111	31,516
<b>EXPENDITURES</b>				
Cemetery	-	-	10,327	10,327
Capital Outlay	-	14,043	-	14,043
Debt Service				
Principal	11,044	-	3,631	14,675
Interest and Fiscal Charges	4,175	-	194	4,369
<b>TOTAL EXPENDITURES</b>	15,219	14,043	14,152	43,414
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	(15,219)	3,362	(41)	(11,898)
<b>OTHER FINANCING SOURCES</b>				
Transfers In	15,219	-	6,992	22,211
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	-	3,362	6,951	10,313
<b>BEGINNING FUND BALANCE</b>	-	(124)	120,924	120,800
<b>ENDING FUND BALANCE</b>	\$ -	\$ 3,238	\$ 127,875	\$ 131,113

**STATE LEGAL COMPLIANCE REPORT**

**GREG OGDEN, CPA  
1761 EAST 850 SOUTH  
SPRINGVILLE, UT 84663  
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

**November 13, 2006**

**Honorable Mayor  
Members of the City Council  
Spring City, Utah**

**Council Members:**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spring City, Utah, for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued my report thereon dated November 13, 2006. As part of my audit, I have audited Spring City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)**

The City also received the following nonmajor grants which were not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Spring City's financial statements.)

**Community Forestry Partners Grant  
Historic Preservation Grant**

My audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

**Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation and Property  
Tax Limitations  
Class C Road Funds**

**Special Districts  
Other General Issues  
Uniform Building Code Standards  
Liquor Law Enforcement  
Justice Court  
Impact Fees  
Asset Forfeiture**

The management of Spring City is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above, which is described in the accompanying management letter. I considered this instance of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, Spring City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

  
Greg Ogden,  
Certified Public Accountant



**GOVERNMENT AUDITING STANDARDS REPORT**

GREG OGDEN, CPA  
1761 EAST 850 SOUTH  
SPRINGVILLE, UT 84663  
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 13, 2006

Honorable Mayor  
Members of the City Council,  
Spring City, Utah

**Council Members:**

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information which collectively comprise the basic financial statements of Spring City, Utah, as of and for the year ended June 30, 2006, and have issued my report thereon dated November 13, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Spring City, Utah's control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Spring City, Utah's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, the City's management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

  
Greg Ogden,  
Certified Public Accountant

**SPRING CITY, UTAH**

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**MANAGEMENT LETTER**  
**JUNE 30, 2006**  
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**GREG OGDEN, CPA  
1761 EAST 850 SOUTH  
SPRINGVILLE, UT 84663  
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**November 13, 2006**

**Honorable Mayor  
Members of the City Council  
Spring City, Utah**

**Council Members:**

The primary purpose of my audit of the financial statements of Spring City, Utah, for the year ended June 30, 2006, was to enable me to form an opinion as to the financial position of the City at that date and the results of its operations for the year then ended. I believe it to be a part of my continuing professional responsibility to my clients to offer constructive suggestions relative to the City's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the financial statements. I have not performed any auditing procedures beyond the date of my opinion on the financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2006. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the City's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of Spring City. However, this report, is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.

  
**Greg Ogden,  
Certified Public Accountant**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

### **STATE COMPLIANCE REQUIREMENT FINDINGS**

#### **FINDING - UNRESTRICTED GENERAL FUND BALANCE**

Cities are required to maintain their unrestricted general fund balance to be between five percent and eighteen percent of the subsequent year's budgeted general fund revenues. At June 30, 2006, the City was allowed to have an unrestricted general fund balance between \$10,000 and \$37,000. The City's actual unrestricted general fund balance was a deficit of \$3,022. This balance was approximately \$13,000 less than required. Additionally, cities are not allowed to have deficit equity balances in any fund.

#### **RECOMMENDATION**

The ending unrestricted general fund balance should be closely monitored and any necessary transfers made prior to the end of June of each year. This range is really tight for smaller cities, so extra care will be necessary to ensure that you meet the requirement.

#### **RESPONSE - SPRING CITY**

This will be resolved in the 2007 budget.